



# **ALVAREZ & MARSAL PUBLIC SECTOR SERVICES**

## **Fairfax County / U.S. Communities Innovative Solutions, Applications, Products, and Services**

**Revised Cost Proposal as of February 27, 2015**

**Submitted To:**

Department of Purchasing and Supply  
Management  
12000 Government Center Parkway,  
Suite 427  
Fairfax, Virginia 22035-0013

**Submitted By:**

Alvarez & Marsal Public Sector Services, LLC  
Columbia Square  
555 Thirteenth St NW  
5<sup>th</sup> Floor West  
Washington, DC 20004





FAIRFAX COUNTY / U.S. COMMUNITIES  
INNOVATIVE SOLUTIONS, APPLICATIONS, PRODUCTS, AND SERVICES  
RFP #2000001342



## **Fairfax County / U.S. Communities**

### **RFP # 2000001342: Innovative Solutions, Applications, Products, and Services**

Date of Submission

February 27, 2015

Prepared for

Department of Purchasing and Supply Management  
12000 Government Center Parkway, Suite 427  
Fairfax, Virginia 22035-0013

Submitted by

Alvarez & Marsal Public Sector Services, LLC  
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February 27, 2015

Ms. Kristy Varda  
Department of Purchasing and Supply Management  
12000 Government Center Parkway, Suite 427  
Fairfax, Virginia 22035-0013

Dear Ms. Varda:

Alvarez & Marsal (A&M) is pleased to submit to Fairfax County our response to RFP #2000001342, request for innovative solutions, applications, products, and services for the U.S. Communities Government Purchasing Alliance. Founded in 1983, A&M is a multifaceted professional services firm, with over 2,500 professionals in 45 cities across the globe including 21 offices throughout the United States. As one of the fastest-growing, independent global professional services firms, A&M specializes in performance improvement, interim and turnaround management, and public sector advisory services. A&M delivers financial and operational management support, restructuring, agency modernization, project turnaround, performance improvement, crisis management, and large-scale program management to our clients.

Given our extensive experience providing our Government Efficiency Performance Improvement (GEPI) services across public sector agencies, we are well qualified to assist the U.S. Communities state and local public agencies with the identification and implementation of innovative solutions to save time and money, improve service delivery, increase operational effectiveness, and transform operating results.

Our Public Sector team reflects both organization's commitment to delivering value on behalf of citizens and increasing governments' effectiveness. Most importantly, the A&M Team is committed to not only make recommendations but also embed ourselves with staff to support the implementation of the program as appropriate.

We stand ready to support the state and local public agencies with a qualified and experienced team to meet their needs. We look forward to the chance to engage with the U.S. Communities agencies and will be pleased to further discuss our approach as warranted.

Thank you for the opportunity to present our innovative services for government efficiency.

Respectfully submitted,

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FAIRFAX COUNTY / U.S. COMMUNITIES  
INNOVATIVE SOLUTIONS, APPLICATIONS, PRODUCTS, AND SERVICES  
RFP #2000001342



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INNOVATIVE SOLUTIONS, APPLICATIONS, PRODUCTS, AND SERVICES  
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## TAB 1 – PROPOSED INNOVATIVE PRODUCT PRICING

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No bid







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## TAB 2 – PROPOSED SOLUTIONS, APPLICATIONS AND SERVICES

Alvarez & Marsal (A&M) is prepared to develop rate structures on either a Time and Material (T&M) basis, or on a Firm Fixed Price (FFP) basis for the U.S. Communities partner agencies. The rate structure that we will use for Time and Material task order proposals is an all-inclusive rate structure that incorporates labor costs, travel, and other direct costs. The rate structure can be found below.

Labor Category / U.S. Communities	March 16, 2015 to March 15, 2016
Senior Executive / Subject Matter Expert	\$495.60
Managing Director	\$466.10
Principal	\$436.60
Director	\$395.30
Lead Manager	\$330.40
Senior Associate / Associate	\$309.16
Senior Consultant / Consultant	\$236.00
Financial Analyst	\$198.24

### Key Assumptions

In preparing this cost proposal, A&M has made the following assumptions:

- Pricing presented is valid for one hundred and twenty (120) days from date of submission.
- Our hourly estimates will be separately developed for each agency requesting service based on our experience performing hand-on Government Efficiency and Performance Improvement projects, the level and quality of resources that we will bring to bear on this assignment, and the technical capabilities of each member of our team.

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- The labor rates proposed by A&M include base labor costs, supervision, equipment, administrative fees, standard travel, and other direct costs associated with project delivery.
- Costs are presented on a cost per hour per staff position.
- The rate structure provided assumes a contract award on March 16<sup>th</sup>, 2015.
- Rates are provided for March 16, 2015 to March 15, 2016. In subsequent years, A&M may request price adjustments based on the Consumer Price Index (CPI-U), Table 10, U.S. City Averages, year over year change. From January 2013 to January 2014, the rate of increase was 1.6%<sup>1</sup>. When a rate increase is requested, the future rate request will be based on the prior CPI. For example, a request to increase the 2016 rate would be based on the January 2014 to January 2015 year over year increase.
- The partner agencies will provide reasonable assistance in coordinating A&M and access to people within the agency who are qualified to assist us in obtaining necessary information and performing work in accordance with the contract. The agency personnel will cooperate and participate fully with meeting requests, providing documentation in a timely manner and in format compatible for analysis, and other project involvement. Agency personnel will work with the A&M staff to meet our agreed upon timeframes to complete work.
- We may use or develop proprietary software, including models, spreadsheets, documents, databases and other electronic tools, to assist us with our assignment. As these tools will be developed specifically for our purposes and without consideration of any purpose for which you might use them, they are made available on an “as is” basis for client use only and should not be distributed to or shared with any other party. Further, we make no representations or warranties as to the sufficiency or appropriateness of the software tools for any purpose for which you may use them.
- Payments are expected within 30 days of receipt of each invoice.
- During project negotiations, we will establish time frame and protocol for written acceptance or rejection of all final deliverables. Absent written notification in the negotiated time period, final deliverables will be construed as accepted. All notifications of rejection will be accompanied with an explanation of the specific deficiencies causing the rejection.

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<sup>1</sup> [www.bls.gov/cpi/cpid1401.pdf](http://www.bls.gov/cpi/cpid1401.pdf), Table 10. Consumer Price Index for All Urban Consumers (CPI-U). Page 63.

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### TAB 3 – PRICING INCENTIVES AND VOLUME DISCOUNTS

A&M is prepared to offer three different discounts for an assignment, that are additive in nature. The three discounts offered include:

- Volume Discounts (up to 3%)
- Travel Discounts (up to 6%)
- Prompt Payment Discounts (up to 1%)

Since these discounts are additive in nature the total discount available is up to 10% of contract costs based on the factors described below.

#### Volume Discounts

A&M is prepared to offer large volume pricing discounts for the purchase of solutions for an agency or group of participating public agencies in a local geographic area (i.e., local city, county, school district, housing authority, transit authority, etc.). The volume discount table is provided below.

Volume of Monthly Business	Discount Offered beyond break point
\$0 to \$500,000 in monthly business	0%
\$500,000 to \$1,000,000 in monthly business	1%
\$1,000,000 to \$1,500,000 in monthly business	2%
Over \$1,500,000 in monthly business	3%

#### Volume Discount Example

The volume discounts will be applied to every dollar spent above the break point. For example, with \$1,400,000 in monthly business, a 1% discount would be applied to the \$500,000 in business above the \$500,000 break point, and a 2% discount would be applied to the \$400,000 in business above the \$1,000,000 break point.

#### Travel and Expense Discounts

A&M is prepared to offer an additional discount of up to 6% in which total travel, lodging, and expense costs would result in lower average expenses.

Determination of the travel and expense discounts will be based on a cost build created in accordance with the provisions of the Federal Travel Regulations and published per diem

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rates. Travel costs will be based on estimated airfare costs at the time of contract award to the local airport. A&M will also review the Lodging and Meals and Incidental Expenses (M&IE) reimbursement rates for the locality. Any locality that falls below the Standard CONUS rate as published by GSA at <http://www.gsa.gov/portal/category/100120>, will be eligible for discounts to our approved rates. GSA published updates to its Per Diem Rates on an annual basis, effective October 1st each year.

	FY2015 Lodging Rate	FY2015 M&IE
Standard CONUS Rates	\$83	\$46

#### **Prompt Payment Discounts**

A&M is prepared to offer an additional discount of 0.05% for prompt payment in advance of the standard 30 day payment timeframe. Regular invoicing is expected to be paid within 30 days of receipt of invoice.







**RFP NO. 2000001342**  
**INNOVATIVE SOLUTIONS, APPLICATIONS, PRODUCTS AND SERVICES**  
**Clarification Questions**  
**February 17, 2015**

❖ **Alvarez & Marsal:**

**Clarifications**

1. **Your company provided information on a benchmark comparison in its last clarification. This information needs to be provided for two public entities, one a mid-sized public entity and one a large public entity, excluding Federal. These benchmark comparisons should be a price comparison of a project performed for that entity showing the total cost for that project and what the cost would have been using the proposed U.S. Communities pricing.**

**Example: Alvarez & Marsal performed \_\_\_\_\_ services for School District ABC in NYC. The total cost of that project was \$ \_\_\_\_\_. If they had used the U.S. Communities proposed pricing they would have spent \$ \_\_\_\_\_ for a savings of \$ \_\_\_\_\_ or \_\_\_\_\_ %.**

We have performed an updated review of our pricing to ensure that we meet the U.S. Communities pricing commitments. As a result, we have provided a Best and Final Offer (BAFO) as detailed in the negotiated points below. Furthermore, we have developed an additional discount factor of up to 6% for travel and expenses to lower cost locations. Based on the updated pricing schedule and the assumed travel discounts in accordance with the travel budgets from prior engagements, we are providing the below benchmark comparisons for a the Town of Tuxedo, a small to mid-sized public entity, and for three mid to large size, non-federal public entities, departments in Pennsylvania and North Carolina, and the New York City Department of Education.

1. Alvarez & Marsal performed an Internal Control Review and Organizational Assessment for the Town of Tuxedo in New York. The total cost of that project was \$121,000. If the Town had procured services through the U.S. Communities proposed pricing, the Town would have spent \$98,106 for a savings of \$22,894 or 18.9%. This savings assumes a 3% travel discount consistent with the travel and expense budget on the assignment.
2. Alvarez & Marsal performed a Financial Health Assessment and Financial Infrastructure implementation for the Office of Developmental Programs in Pennsylvania. The total cost of that project was \$3,035,957. If they had used the U.S. Communities proposed pricing they would have spent \$2,843,482 for a savings of \$192,474 or 6.3%. This savings assumes a 5% travel discount consistent with the travel and expense budget on the assignment.
3. Alvarez & Marsal provided Interim Management Services for the Department of Health and Human Services, Division of Medicaid Assistance in North Carolina. The

total cost of that project was \$6,820,900. If the State had used the U.S. Communities proposed pricing, the State would have spent \$ 6,018,998 for a savings of \$801,910 or 11.8%. This savings assumes a 3% travel discount consistent with the travel and expense budget on the assignment.

4. Alvarez & Marsal performed an Operational Cost Review for the New York City Public Schools. The total cost of that project was \$20,482,880. If NYC had used the U.S. Communities proposed pricing they would have spent \$18,170,690 for a savings of \$2,312,190 or 11.3%. This savings assumes no travel discount as the travel and expense budget on the assignment exceeded the U.S. Communities travel and expense burden of 13%.

## **Negotiations**

2. Please provide us with a Best and Final Offer (BAFO).

A&M has performed an updated review of our pricing to ensure that we meet the U.S. Communities pricing commitments. As a result, we are proposing the below pricing structure that adds a pricing category for our core Managing Director Rate, at a 6% discount to the top end rate used for our senior most subject matter experts. Additionally, we are proposing a reduction in the rate of between \$14.16 and \$35.40 for the Principal, Director, Lead Manager, and Senior Consultant Rate Categories.

<b>Labor Category / U.S. Communities</b>	<b>Original</b>	<b>Revised Pricing January 2, 2015 to January 2, 2016</b>
Senior Executive / Subject Matter Expert	\$495.60	\$495.60
Managing Director		\$466.10
Principal	\$472.00	\$436.60
Director	\$413.00	\$395.30
Lead Manager	\$354.00	\$330.40
Senior Associate / Associate	\$309.16	\$309.16
Senior Consultant / Consultant	\$250.16	\$236.00
Financial Analyst	\$198.24	\$198.24

3. Can you propose a way to ensure that markets without a significant associated cost of living receive the best possible rates (i.e. how can Greensboro, NC receive a rate that accounts for the cheaper travel and lodging than that associated with San Francisco, CA)?

A&M is proposing a travel and expense discount of up to 6% for U.S. Communities projects in which the travel and lodging expenses are expected to be lower than the standard GSA per diem rate. In the benchmark examples provided we are demonstrating the range of travel discounts that have been experienced (i.e., 0%, 3% or 5%).

4. How will you ensure that pricing offered under this contract is the lowest pricing offered to the public sector?

As co-CEO of the Public Sector Services division, I will institute policy that requires a rate comparison of projects that our division performs against the U.S. Communities pricing commitment. Through this process, A&M will work to ensure that the U.S. Communities pricing remains the lowest prices offered to our public sector clients.

